



**Small Farmer
Organization,
Technical Training,
and Bypassing the
Middlemen: The
AGIL Strategy and
Estancia Model**

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Rural development strategies that enable more direct farm-to-market commercialization routes can generate higher incomes for the producers themselves. In Guatemala, small farmers are faced with a particular set of disadvantages, namely high transport costs (stemming from elevated fuel prices and bad road conditions) and low prices set by various levels of intermediary produce buyers. In this latter case, middlemen customarily take advantage of poor communication infrastructure and widespread illiteracy among the Maya population in order to withhold market information. Guatemala's indigenous Maya, constituting roughly half of Guatemala's total population, reside largely in the highland regions of the country. A cool climate and an abundance of water in fertile valleys makes for ideal conditions to produce certain types of vegetables that are in high demand in world cosmopolitan centers. For approximately 20 years, many indigenous Maya farmers have made substantial gains in household incomes by producing and selling snow peas, broccoli, cauliflower, asparagus, various types of squash, as well as certain fruits, such as strawberries, raspberries and blackberries, all possessing relatively high market values. Guatemala's Maya are also known for the rich cultural and linguistic mosaic (over twenty different languages) they contribute to the national society.

Guatemalan history has seen the Maya severely exploited for their labor and increasingly marginalized from agrarian resources by a dominant sector of non-indigenous 'Ladinos.' A recent dark period of this history occurred less than twenty years, when much of the indigenous Maya population was relentlessly pursued by authoritarian military regimes seeking to stamp out an insurgency movement. The counterinsurgency campaigns carried out against the rural indigenous population brought on the death of scores of thousands, displaced over a million persons, and brought economic ruin to most of the country. Toward the end of 1996, the Guatemalan Government and the insurgency opposition signed the Peace Accords, signaling a new era in Guatemala's evolution. In large measure, the social transformation called for in the Peace Accords has been assisted significantly by programs mounted by the international donor community and through large scale loans made to the government by the international development banks.

Post-conflict development in Guatemala's former war-torn areas is proving to be a haltingly slow process, however, largely marked by a checkered trajectory of development efforts. Unfortunately, there has not emerged a sizeable number of success stories out of these attempts. Part of the problem lies in the rigid caste-like boundaries that characterize ethnic relations in the rural setting. Guatemala's complex social relations are borne out of hundreds of years of

colonialism, and in more recent history, by continuing neo-colonial arrangements. Export-oriented agriculture is overwhelmingly controlled by small landed elite and occurs on the vast part of the country's cultivable land; in stark contrast, a corn and bean subsistence economy is practiced by the bulk of the rural population. With this dual sector economy, the arrangement for temporary migratory labor to harvest annual traditional crops, such as coffee and sugar, is set. Aside from the political economy of export commodity production, much of the continuing distrust and retribitional ploys currently played out in highland indigenous communities stem from the years of conflict spanning the 1970s through the mid-1990s, and these constitute another factor that continually affects the ability of rural indigenous society to become organized and productive beyond a barely subsistence level.

This paper is a case study of one community in the highlands that, through few relatively simple measures assisted by a development project, has been able to organize a dynamic producer organization and has found marketing outlets that successfully bypass intermediary buyers. By doing so, participating households are now experiencing significantly augmented levels of farm-generated income, and farmers point to an overall betterment in their quality of life. The evolution of one town engulfed in a war until relatively recently and its acceleration into a more efficient productivity and marketing track serves to highlight a process of economic development and transformation. The anticipatory role enacted by many farmers of the town of Estancia de la Virgen in the recent war partly explains the singular success of the community today in its effort to produce and market a non-traditional export crop.

Background:

The AGIL Project (Spanish acronym for "Support for Local Income Generation") is an activity carried out by the U.S. Agency for International Development (USAID) whose purpose is to provide technical assistance in the areas of production and marketing and credit mobilization to those indigenous Maya communities severely affected by Guatemala's civil war¹. The areas most affected by the conflict are those that are populated predominately by Maya Indians. AGIL's mission is to develop and implement specific organizational and training activities, while at the same time, to link key development strategies carried out by an array of partners, all with the goal of increasing rural household incomes in the so-called Zonapaz ('Peace Zone'). The development of viable market centers is part of an overall strategy of the USAID-Government of Guatemala strategy, but because of the magnitude of the required infrastructural development for

¹ The war in Guatemala is said to have spanned thirty-six years, but in the regions where most indigenous peoples live, the conflict took place over a twenty year period.

assuring functioning markets, such as road building, less ambitious measures are being simultaneously pursued by the partner framework. For example, short sections of road are under repair and enhanced telecommunications capacity (including internet access in remote communities through satellite link-up) are activities that are smaller in scope than major infrastructure work, but which can greatly assist communities to become linked into markets. AGIL itself is more focused on providing technical assistance in managerial practice and organizational strategies for small producers in both on-farm and off-farm sectors in those municipalities recovering from the violence of the 80s and 90s.

Renowned agricultural economist John Mellor convincingly shows that poverty reduction in developing Asian countries is best attained if efforts are focused on agricultural populations. Agricultural growth generates significantly greater employment over that of industrial growth in urban areas. Growth in the agricultural sector exerts a multiplier effect on employment generation that can attain levels five times that which light manufacturing can generate. In the rural sector, each unit of employment generated on the more productive farms translates into two to four additional non-agricultural units of employment.

Since its inception, AGIL has sought out key farmer groups in the various areas of the Zonapaz with which to work in improving production and commercialization. One of these municipalities, San Martín Jilotepeque, is relatively close to Guatemala City—about one and a half hour's drive (see Map). It was in this initial search phase that AGIL identified the community of Estancia La Virgen in San Martín Jilotepeque.

The entire region of San Martín was the site of some of the most intense fighting between guerrillas and the Guatemalan Army during the early 1980s. It is no secret that a sizeable number of the men from Estancia and other towns located in the municipality of San Martín were involved in the guerrilla movement. Most of them, however, joined the insurgency movement after



experiencing or witnessing the most vile counterinsurgency tactics employed by the Army, acts which included the wholesale massacre of over a dozen villages throughout the territory of San Martín. In addition to leaving thousands dead, the brutal Army sweeps through the region displaced many thousands more and forced thousands of people from their homes. The Army carried out one of the worst massacres in March 1982—300 men, women, and children were corralled in the canyon below the town of Estancia and were systematically murdered. Acts such as this one made survivors all the more determined to organize themselves into a resistance

movement. The organizational skills learned during that experience have been instrumental in forging the farmers' association described in this paper.

By the late 1980s the most brutal acts of war had subsided, although there were still sporadic skirmishes between guerrillas and the Army well into the 1990s. When relative calm returned to the region, farmers in Estancia began to produce vegetables for the export market. Approximately ten years ago, they began growing and selling French green beans.²



About 30 percent of the French green beans produced in Guatemala today are from Estancia, and the superior quality of this product is amply recognized by intermediary buyers and exporters. From the beginning, farmers marketed French green beans solely on an individual basis. After figuring in the direct costs of transportation, and at least one meal per journey in the town of Sumpango, cash returns on the sale of the produce turned out to be marginal indeed. The time lost from when they would leave Estancia at three in the afternoon to travel to Sumpango, and the arrival back in Estancia at ten in the evening represented a tremendous opportunity cost. And



farmers customarily would undertake this journey three times per week. Aside from the exorbitant transport costs exacted by the monopolistic bus company, the accumulated time lost by farmers practically equaled that devoted to the agricultural production itself. In response to Estancia's farmers seeking assistance, AGIL provided some initial orientation in managerial organization. During the early phase of this training course, the group of farmers voted in the first nine-person board of directors on a provisional basis.

A focus group exercise undertaken with the farmers to determine the magnitude of direct and opportunity costs the group collectively assumed yielded some startling results: throughout the entire chain of taking the product from the field to sell to intermediaries, calculations indicated that the approximately 100 farmers involved were losing an estimated 230,000 Quetzales per month (30,000 US dollars). These calculations include a modest rendering of opportunity costs on the

² The variety of French green bean is the gourmet quality "harecot vert," known for its fibreless texture, reduced size (under 12 cm.), and steadfast verdant color when cooked.

basis of an eight-hour day's farm hand wages for the time lost to transport and selling the produce in the Sumpango "coyote"³ market. On top of direct transport costs and the significant time lost in taking produce to market, an additional ten percent discounting of the price paid to the farmer enters into the equation. The intermediating "coyotes" customarily tip the scales at an average of ten percent in their favor. In Guatemala, this practice (known as the "tarro") is widespread and dates back to the Colonial Period, justified on the grounds that field laborers purposefully stock 'impurities' (pebbles, leaves, twigs, ostensibly) in the agricultural bundles they bring to the scales.



The average yield of French green beans is 15 quintales (hundredweights) per *cuerda* (0.134 hectares). At the peak of the season (November – February), the nearly 100 producers in La Estancia produce 400 quintales per week; during the off-peak season, the total production ranges about one quarter that amount per week. The green bean plots lie in the lower elevations of the community, along the banks of the Río Pixcayá, at approximately 250 meters below where is located the actual settlement of Estancia La Virgen. The highway to San Martín is paved the distance from Guatemala City, approximately 70 kms. From San Martín to La Estancia, however, the additional nine kilometers of road is made of packed gravel that tends to become washed out during the rainy season. From the settlement of La Estancia to the riverbed parcels, a distance of two kilometers, the road is deeply rutted and steep, restricting access to only the sturdiest of vehicles, to the exclusion of the conventional transport trucks used in rural areas. Consequently, the farmers must pack the beans out on their backs, using a tumpline strapped to their foreheads to steady the weight. At three o'clock, the scheduled bus that takes farmer and produce to the Sumpango market leaves. The bus company charges 30 Quetzales round trip per passenger with the cargo.



Prior to the interventions, each producer journeyed in this fashion three times per week, and when he reached the "coyote" market in Sumpango, he had to wrangle for a fair a price. Invariably, the "coyotes" were in the advantage in fixing the price, and as mentioned, customarily are prone to discount the "tarro." It was often the case that farmers would delay selling in hopes

³ "Coyote" is a vernacular term applied disdainfully to intermediary produce buyers. Coincidentally, it is the common term used to refer to traffickers in the smuggling business of getting people across the border



that the price might increase by evening's end, but this strategy would sometimes fail, just like any speculative market venture. As mentioned, the returning bus to Estancia does not arrive home until 10:00PM.

AGIL's work with the Estancia group is in three areas: (1) finding better ways to market the product through identifying buyers who are direct exporters, (2) bettering the bundling and storage capacity through a warehouse, and (3) improving the production process, through improved seed and better management of pesticides, soil, and water. Organizational strengthening, of course, is key to improvement in all these areas, and this is a crosscutting theme reinforced in the training that takes place in the various topical areas.

In the case of pesticide management, AGIL trained a core cadre of pesticide specialists—farmers themselves—in strict EPA best-use practices. When these farmers spray the fields of others they receive payment, or more commonly, in-kind labor. The sprayers apply the pesticides at optimal times to control pest infestation. The specialization of pesticide handling and application in the hands of a well-trained unit constitutes a quality control mechanism as well as a safety one. The farmer organization has an oversight committee that conducts repeated checks of nozzles and the pumping mechanisms of sprayers. The new methods learned in the training courses ensures a careful handling of chemical substances, thus minimizing the chances of over-application to the produce and accidental exposure to those applying the pesticides as well as to those working in the fields. Another sanitary measure introduced as part of AGIL's interventions was to construct latrines on the fringes of the green bean plots.



French green bean production has a 40 day cycle, and the Estancia farmers carry out the planting-to-harvest process in staggered fashion throughout the entire year. The irrigation system used is a rudimentary gravity feed one and most of the plots are located two to three kilometers from the spring, thus requiring many rubber hoses. Each farmer owns his own rubber hose, so the valley is strewn in a web of hose interlacing the boundaries of the fields. A few producers

into Mexico and the United States.

farm within a kilometer of the spring, but they do not see this as a particular advantage, citing the greater disadvantage of having to pack out the produce the greater distance.

AGIL initially determined the quality of the green beans to be lower than gourmet standard, so new seed was needed to regain the quality with which the farmers began ten years ago. Because the farmers repeatedly replanted using seed recouped from the previous harvest cycle, the germ plasm had crossed with that of conventional beans, and the actual legume had degenerated into being too long, too flat, and too stringy. In order to maintain standard size, the AGIL technician assigned to Estancia urged the farmers to undertake more frequent harvesting and to be more discriminating in selecting the product destined for sale. It is not unusual in the highly competitive gourmet market that buyers reject up to a third of the product.



The formal structure of the farmers' association came about through a participatory exercise undertaken with the AGIL technician. There were, in fact, various options available: farmers could incorporate themselves in the form of either a cooperative, or as a "civilian association" (*asociación civil*), as a "mercantile association" (*asociación mercantil*), or as an anonymous society (*sociedad anónima*). There exist various legal ramifications for each, and these were duly explained to members of the group. As part of the process to get the farmers acquainted with the various options, AGIL sponsored a training excursion to neighboring El Salvador to examine the experiences of similar recently formed agricultural groups.

Ultimately, the Estancia farmers opted to incorporate themselves as a standard "anonymous society" business. This was a surprise turn of events for the AGIL personnel, since usually civil associations, mercantile associations, or cooperatives are the favorite vehicles for legalizing rural production groups because of expediency and because of lighter member responsibilities. As a business, the responsibility of each member is even greater, but as Valentín, one of the principal leaders, "in a business everyone has rights and everyone is an owner. If things don't go right, well then we all are at the same level, but if we sell something, well then everyone gains, and the money is not in the hands of a single person. If we were to have become a cooperative that would have been another way to work, but then we would be looking at what happens to the funds from the sidelines, and maybe we really wouldn't know what eventually happens to the

funds.” Valentín’s comments reflect an increasingly popular attitude about cooperatives that corruption among the leaders is rampant. The additional stringency that the rules of an ‘anonymous society’ places on each farmer turned out to be a well-calculated move, and the leaders of the association insist that self-discipline is what this group wants to continue to practice since operating as a community self-defense unit during the war years, long before they began producing French green beans.

AGIL provided the technical assistance to get the farmers legally incorporated. The farmers voted to open up the formal association with a 40,000 Quetzal social capital fund (200 shares that would establish the membership limit, worth 200 Quetzales each). By May 2001, 89 farmers were members of the new enterprise, Le Stansa, S.A., and there still remained 111 shares. A constant capitalization scheme, in which five percent of the income derived from sales goes to the overhead of the business was agreed upon, as were trimester meetings of all the members (although technically, they are obliged to meet only annually).

The farmers immediately identified the need to construct a receiving and packing center as one of the first orders of priority to shore up the marketing end of the operation. The funds for purchasing the land for the center, as well as the labor for the construction of the building came from the farmers themselves. The Mayor of San Martín, interested in a new type of developmental activity in his municipality, authorized use of municipal funds for the purchase of the building materials. The receiving and packing center, inaugurated in March 2001, has dimensions of 10 by 20 meters and is constructed of cement block and corrugated metal roof. It is equipped with stainless steel tables for sorting and classifying the beans, and there are large basins and a good supply of water to wash the beans prior to their packing in crates. The Mayor of San Martín commented at the inauguration that he was driven to authorize the purchase of the building materials because, “to me this is the best possible use of municipal funds, since we are creating infrastructure for production, and this leads to increase in household incomes. This is the underlying force behind San Martín’s development. AGIL assisted the Estancia effort by contracting the engineer who oversaw the construction and purchased the scale to weigh the produce, as well as the computer and software to manage accounts. AGIL initially paid the salary of an accountant (approximately 150 dollars per month). The first accountant was not from Estancia and commuted from San Martín—local trained talent in computer applications was non-existent. As part of his tasks, however, he had to train a local person, and now, that new person from Estancia is operating the computer and the accounting system. At present, Le Stansa, S.A. pays this person’s salary, as well as all other costs relating to product commercialization.

Elevating Le Stansa's heightened success platform would be entering into a direct sale relationship of the green beans to an exporter, and AGIL was able to make this connection happen. Once a prospective buyer-exporter was identified one of the conditions in the negotiations was that the exporter had to purchase the produce from the company's packing house in La Estancia proper. This action would cut those significant costs of transportation, food, and time involved in marketing described above. Additionally, the exporter acceded to purchasing the beans at 25 *centavos* (approximately per pound above the "coyote market."

The combination of bypassing middlemen, constructing a receiving and packing center, forming a business association, and making better use of natural resources and agricultural inputs have guaranteed a measure of success for the Estancia farmers. Already, significant changes in familial economic balance sheets have taken place-- increases in household income has brought on a minor construction boom in the village of Estancia, as some families add rooms to their existing dwellings. Some families are acquiring new parcels of land and others are buying livestock. In a pre- and post-intervention socioeconomic measurement AGIL carried out, the average household associated with the association quintupled their income. Although the post-intervention measurements were taken at the high season of green bean production, AGIL calculates that, adjusted throughout a whole year, real household incomes will have at least tripled.

Significantly, the changes experienced in household economic behavior have led to non-monetary benefits for family life, and these has been repeatedly pointed out by both men and women involved in the association. As a consequence of men having to spend less time away from the home and the village, a higher degree of family integration has been attained. Women cite that their anxiety levels are diminished by not having to worry anymore whether the late night bus transporting their husbands might have had an accident, and some do allude to the issue of sexual security, pointing out that they are happier their men spend more time at home and less time "in that town where the women are too loose." Women also cite that their children are happier with the added presence of their fathers.

The Future

In less than one year there have been considerable advances made in this experiment, and the farmers' spirits are high. Already, the group is envisioning exporting directly to the United States, without the intercession of a local buyer-exporter. La Stansa's board members are looking at the possibility of becoming more directly connected to markets through the internet. They realize, however, that they may not get to this point as quickly as they would like, simply because they do

not yet possess the contacts to enable a direct marketing scheme. The village of La Estancia also is not quite yet equipped with telecommunications capability to support an internet connection. The leaders of the association are looking at the eventual purchase of a truck that could haul the produce from the riverbank parcels to the receiving and packing center, but that part of the road still needs major improvement before any vehicle, short of a rugged four-wheel drive, could make the steep ascent. If a direct commercialization outlet in the United States or Europe were to be gained, then an additional refrigerated truck would be required to move the produce to the air cargo terminal. Already the company's leaders have made inquiry rounds to various truck dealerships to obtain prices. With an eye toward the future, the farmers are examining other possible crops to produce commercially. The more entrepreneurial farmers already have planted sweet corn, sweet squash, watercress, basil, among others.



A cold storage room for the packing plant is an additional logical step, since this would raise quality standards even more. This project would cost approximately five thousand dollars. It has been postponed, however, not so much due to the cost element, although this certainly is a determinant, but because the leaders of the association believe that discipline among the farmers would be diminished. Flaviano, the principal leader of the association said, "If we had a cold room, the farmers would then start cutting beans every other day, and they'll slack off."

The overall optimism shared by members of the group was heightened recently by news that an engineering team from the government road department is examining the possibility of upgrading the road to Guatemala City, via San Juan Sacatepéquez. Making the road passable would diminish the distance by an appreciable 30 kilometers. In Estancia today, one senses a vibrant air of optimism generated from the advances made in such a short period of time. In addition to the mini-boom in construction described already, the added income generated for farm families is beginning to exert a ripple effect into the fledgling commercial and service businesses in the community. In addition to the mini-boom in dwelling construction, the two agro-chemical supply stores are probably reaping the largest spin-off benefit at this moment. Even the smaller family-owned stores are increasing inventories of consumables, a sign of healthier times visiting this little community in the Pixcayá valley. Flaviano, speaking again, summarized the situation of the Estancia farmers, "we in Estancia have seen our share of suffering, but we've put this into the past. Now we are looking to the future with a great deal of enthusiasm because we know that to do things we've got to do them well, and I think that the confidence others have entrusted to us has grown because of our sense of self-discipline. We are strong as workers, just like any

member of the Maya population, and we've had to learn a lot of discipline in the face of adversity. That is what we need most in our daily living—discipline and honesty.”



Location of San Martín Jilotepeque

